THE CURRENCY OF THE PHILIPPINE ISLANDS

The American Government found in the Philippine Islands upon their cession by Spain a condition as chaotic in monetary affairs as in civil administration. The Philippines were upon the silver standard, but they had little coinage of their own, either legal tender or subsidiary. The supply of legal tender money consisted chiefly of Mexican silver dollars. The Spanish Government, in order to limit the fluctuations of exchange, had in 1877 prohibited the importation of any Mexican dollars which were issued after that date. This provision was, however, so persistently evaded that it exercised little influence upon the monetary system of the islands. Gold disappeared under the pressure of depreciated silver and after 1884 practically none remained in circulation.

An effort had been made by the Spanish Government to provide a local currency, but the project had been only partially carried out. This project consisted of the coinage of a few Spanish-Filipino pesos and their subdivisions, supplemented in a small way by the Spanish subsidiary coin. The pesos were lighter than the Mexican coins, but as their quantity was not more than sufficient to supply the currency needed in the islands, the pesos circulated at par with the "Mexicans." It was fortunate for the islands that these coins, by reason of their light weight, were not exportable to advantage as bullion and, therefore, remained in circulation when other forms of money tended to disappear. A few subsidiary pieces corresponding to the silver pesos had been coined by the Spanish Government exclusively for use in the Philippines. The other subsidiary pieces, however, and most of the minor coins, were the same as those used in Spain. The peseta piece of Spain, worth nearly twenty cents in American money, was at one time maintained at this value in Spain and even when Spanish finances became deranged did not decline in its exchange value in gold so rapidly as the Mexican silver dollar. The consequence was to destroy the relationship between the Mexican dollar and the subsidiary coins. The Spanish peseta came to be worth about fifteen cents in gold in Spain, while as a quotient part of the Mexican peso it would pass for perhaps ten cents or less in gold value at

Manila. The result of these conditions was to tempt shrewd bankers to gather up all the Spanish subsidiary and minor coins in the Philippines and send them to Madrid, making in the transaction a profit in the neighborhood of 50 per cent. By such operations the Philippines were almost denuded of small Spanish currency and into this vacuum flowed to some extent the coins of the United States, having a recognized value of more than twice the corresponding pieces of Spanish and Mexican coinage.

Deficiency of currency, confusion in converting the natives to the comparative values of American currency, and wild fluctuations in the exchange value of foreign silver were the characteristic features of the monetary situation at Manila during the first three years of American occupation. The branches of two large English banks—the Hong Kong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China—controlled exchange and many complaints were made by American officers and civilians against what they considered the excessive rates charged by the banks, but which were a natural outcome of the monopoly exercised by these banks and the constant fluctuations in the value of silver.

The Philippine Commission sought to give stability to the relations between American currency and local currency by prescribing that the Mexican silver dollars, the Spanish-Filipino dollars, and the quotient parts of these dollars in use in the islands, should be received for public dues in the ratio of two Mexican pesos to one dollar in American gold. This policy achieved for a time a certain measure of success. So long as the value of silver bullion did not depart greatly from these proportions, the cost of transportation and the necessity for the use of some form of legal tender kept the silver coins at about this ratio in retail trade.

But worse difficulties arose in the summer of 1900. The forces of the western powers gathered at that time in great numbers at Tien-tsin, for the rescue of the legations and the infliction of punishment upon the Chinese for their disregard of the privileges of Ambassadors. The gathering of a large army with its commissary, medical, quartermaster's, and pay service necessarily required the use of money. A demand for currency was created in China which could not be met from the stock of Mexican silver dollars in use there nor be supplied promptly by the Mexican mints

at their long remove from the place where the currency was needed. In consequence of these conditions, the exchange value of the Mexican pesos rose considerably above fifty cents in gold. This gave to them a higher exchange value around Tien-tsin than the official rate at Manila. Inevitably came into play the operation of the economic law, that money will go where it has the highest value. Mexican coins were drained away from Manila at an alarming rate. Between August 27 and November 1, 1900, the two English banks exported $2,087,500 in Mexican money and the early days of November witnessed a revival of the outward movement. The country, already denuded of its small silver, faced a famine even in the remnant of its means of exchange. Various devices to check the outflow were adopted by the Philippine Government, including a duty of 10 per cent on exported silver, but the evil only ceased when the forces of the Powers began to depart from China and the demand for money was thereby diminished.

A counter-movement in the relations of gold and silver at Manila now set in. The Mexican peso fell materially below fifty cents in gold and began pouring into the Philippines from China and the islands of the Pacific. The inevitable result was to drive out of circulation the American currency, which had come into use because there was no other available for carrying on trade in Manila. American currency began to disappear. It had been treated by foreign bankers from the beginning as gold exchange on New York, as good as gold at London or Paris, and more convenient and transportable in the form of paper than in coin or bullion. American currency has come to be so well understood in the trading centers of the Orient that any form of it—gold and silver coins, greenbacks or silver certificates—are alike called gold, because under the gold standard law of March 14, 1900, they are the equivalent of gold in all markets. In Japan, where Chinese silver money is not readily accepted, I had a jinrikisha man refuse a Chinese ten-cent piece and gladly accept an American nickel with the exclamation, "Oh, yes, gold!"

It was with a view to rectifying the inconvenience which arose from these constant fluctuations in the medium of exchange in the Philippines that the writer urged upon Colonel Clarence R. Edwards, the head of the Division of Insular Affairs in the War Department, that some expert should be sent to the Philippines to study condi-

tions there and to recommend a stable and satisfactory coinage system. After the adjournment of Congress in 1901, the subject was taken up by Secretary Root. The writer was requested by him to visit the Philippines and consult with the Civil Commission with a view to making recommendations to the War Department to be submitted to Congress for its action. The Philippine Government had already laid down the outlines of a project which seemed to them desirable for giving stability to the relations between the money of the Philippines and the gold standard of the United States. They stated in their annual report to the Secretary of War for 1900:

"It seems to be desirable that some substitute for the Mexican dollar, as well as for the Spanish-Filipino dollar, should be provided which would be uniform in its relation to the United States dollar, and would commend itself to general public use as being substantially what they have long been accustomed to. We have interviewed a large number of leading business men of the islands, and they substantially all concur in the opinion that it would be injurious to business to place the islands immediately upon an absolute gold standard.

"As a solution to the problem it has been suggested, and the suggestion has met the approval of the business men here generally, that the United States dollar, or a theoretical United States-Filipino gold peso, of the value of half a dollar, like the theoretical gold yen which is the unit of currency in Japan, should be made the standard of value, but that a silver United States-Filipino peso, containing a small percentage less silver than the Mexican dollar, should be coined, which would be receivable in business transactions as the equivalent of fifty cents in United States money, together with convenient subsidiary coins of the same character. The amount of silver in the peso should be such a percentage less than that in the Mexican dollar that its intrinsic value would not at any time warrant its export from the islands, but its convertibility into American money at uniform fixed rates, guaranteed by the United States, would make it a convenient and useful currency for ordinary business transactions in the islands."

There were, broadly speaking, three alternative plans which it was possible to consider. One was the introduction of American gold currency as the sole legal tender in the Philippines; the second was the continuance of the silver standard, with the adoption of a distinctive American coin in place of the Mexican. The third alternative was to do nothing—to leave the islands subject to the difficulties of the existing coinage system and the ebb and flow of the currency supply under influences beyond the control of the Philippine Government or the commerce and finance of the Philippine Islands.

The introduction of American currency had warm advocates among some of the army officers, upon the obvious ground of the simplicity which it would introduce into their accounts. Owing to the rigidity of the accounting laws, much trouble was caused when it became necessary to pay for supplies in silver at any other ratio than two to one, or when silver was received in change or for the sale of supplies which could not be converted into American money at that ratio. The objections were strong, however, among business men and prominent native Filipiños to the introduction of American currency as the sole legal tender. The essential difficulty lay in the fact that wages and prices were on too low a scale to adjust themselves to a gold currency of such a high unit as the American dollar. The natives about Manila very generally grasped the puzzling fact that an American piece of twenty-five cents was equal in value to a piece of twice the size in local currency; but even when this was fully understood, it did not obviate the difficulties arising from a high unit. What was said in my report to the War Department on this subject is pertinent to this article:

"Wages are expressed in such small amounts in the Philippine Islands, and many articles of necessity to the natives are sold for such trifling sums, that for small transactions even the American cent is too large a unit. It is necessary that the lowest unit of value should be a very small one. The centavo which is recommended, equal to one-half of a cent, will meet this necessity. A native laborer accustomed to receiving a peseta, or twenty centavos, for a day's labor, would find an American ten-cent piece less suited to his wants, even though he was satisfied that it represented the same value. The reason would lie in the fact that the American coin would be less easily exchangeable for smaller subdivisions. The American ten-cent piece is the smallest silver coin which can be used with convenience, but the peseta, or piece of twenty centavos, is of twice its size and is divisible into two pieces of about the size of the American ten-cent piece, each representing an exchange value of five cents in gold. As this difficulty was tersely put to the Schurman Commission in 1899 by Mr. Charles Ilderton Barnes—

"If the agriculturists are paid in gold, they can not make that gold go around like twice the number of dollars in silver."

In Porto Rico, as was testified by Professor Hollander, the introduction of American currency as lawful money in place of the Spanish, caused serious difficulties. It is obvious that such difficulties would be greatly intensified in the Philippines by reason of the wider area, the more numerous population, and its more varied character.

The evils of doing nothing—the continuance of the Mexican dollar as the standard—have been sufficiently illustrated by the narrative of what had already occurred. The other alternative—the continuance of the silver standard, with the substitution of an American silver coin for the Mexican—can better be discussed hereafter in connection with the action of the Senate Committee on the Philippines, which declared in favor of this plan. It is sufficient to say that the only essential advantage of a distinctive Philippine coin on the silver basis would be that the mints would be more accessible than when Mexican coins were used. Instead of going through the circuitous channel of the Mexican mints, silver bullion could be brought directly to Manila, where it was to find its employment after conversion into silver coin. It was not possible, and it was not pretended, that the adoption of a distinctive American coin would do more to steady the relations between gold and silver than would arise from the elimination of this element of delay in the coinage of the Mexican mints. In other words, the adoption of a distinctive American silver coin upon the free coinage basis would reduce the fluctuations of exchange merely to the fluctuations in the prices of silver bullion instead of subjecting them to the accidents of the supply of Mexican silver pesos.

Examination of the monetary conditions in the Philippines led the writer to accept the plan recommended by the Commission in its report for 1900, in its general scope, as the best solution of the difficulties prevailing there. It remained, after reaching this decision, to work out the details with Judge Henry C. Ide, the Secretary of Justice and Finance in the Philippines, who had experienced similar difficulties in Samoa while serving there as one of the American Commissioners. The plan prepared by Judge Ide and the writer was submitted to the Commission, carefully discussed and amended in trifling details, and was then transmitted (in November, 1901) to the War Department with the unanimous approval of the Commission, including the three Filipino members, who had just entered upon their service. These Filipino members were often consulted as to the practical operations of the project and two of them were constituted a committee to suggest designs for the new silver coins.

The plan of the Commission, in its general outlines, embodied the following propositions:

"1. That there should be a distinctive Philippine coin of silver which should be legal tender for fifty cents in the gold money of the United States.

"2. That this distinctive silver coin should be known as the peso, should contain twenty-five grams of silver of the fineness of 0.835, and should be divisible into one hundred equal parts, called centavos.

"3. That this coin should be issued by the government of the Philippine Islands in such quantities, to be determined by such government, as may be required by the needs of trade.

"4. That the distinctive coin should be maintained at par with gold by the limitation of the amount coined and by a gold reserve, to be constituted from the seigniorage derived from the coinage of silver bullion, and to be employed, in the discretion of the Philippine Government, for the direct exchange of silver for gold, and in such other ways as may be necessary to maintain the parity fixed by law.

"5. That the Mexican silver dollar and other coins now in use in the Philippine Islands should cease to be legal tender after specified dates, and that the new silver coins and the gold money of the United States, where not otherwise stipulated by the contract, should be the sole legal tender for public and private obligations.

"6. That the new coinage should be executed as far as possible at the mint at Manila, and should bear distinctive devices expressing the fact that it is intended for use in the Philippine Islands."

It is difficult, in attempting within reasonable limits to define such a project, to cover all the possible questions which may arise in the mind of a reader regarding its operation and the means of making this operation effective. The essential monetary principle involved was that of a limited token coinage. The Philippine Government, by controlling the output of silver coins, would be able to keep them constantly at parity with gold by suspending the issue when they became redundant and resuming it when they became scarce. Redundancy or scarcity would be demonstrated to a large degree by the proportion of the coins paid into the Treasury for public dues. Redundancy would be disclosed also by the presentation of the coins for redemption in gold, while scarcity would be disclosed by the presentation of gold to obtain the coins. If the supply of coins held in the Treasury was entirely exhausted by the offer of gold, it would plainly indicate that there was something like a permanent deficiency in the coinage supply and that additional silver pieces should be coined. The coin proposed was made somewhat lighter than the Mexican peso, in order to afford a margin within which the bullion value might rise without encouraging such an exodus of the money of the islands as took place in the summer

of 1900 to meet the needs of the armies of the Powers. This margin, however, was not wide enough to offer any such considerable profit to counterfeiters as would be afforded by the introduction of American silver coined at the ratio of sixteen to one.

The plan of the Commission, with a report prepared by the writer, was submitted to Congress with the approval of the Secretary of War. Secretary Root, referring to his expressions of the previous year, declared:

> "Time has confirmed the opinion in which I then concurred with the Secretary of the Treasury that the wise course is to coin and pay out for Government uses pesos of a little less than the weight and fineness of the Mexican pesos of 377.17+ grains of pure silver, at the rate of two silver pesos for one dollar, gold, the ratio now maintained in the islands between Mexican dollars and American gold dollars, and to maintain that same relation between the new coins and gold by exchanging gold for them at that rate.
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> "I am satisfied that such coins, being substantially identical in size and exchange value with the coins to which the people are accustomed, will pass into circulation, and that as rapidly as this is accomplished the business of the country will come upon a gold-standard basis representing a fixed relation between the proposed coins and American money."

The proposition for a coinage system was only a small part of the comprehensive plans of the Philippine Government and of the War Department for bringing order out of chaos in the Philippines. One of the greatest constructive works of modern times lay before these officials and Congress, comparable only to the great work which the Earl of Cromer has so successfully carried out in Egypt. Provisions for substituting civil government for military rule, for reforming civil and criminal law, for giving a share in this government to the Filipino people, for regulating land titles and the future development of agriculture, for establishing mining concessions upon an equitable basis, for regulating the grant of valuable franchises, were all parts of the Philippine Government bill upon which Secretary Root; Judge Magoon, the law officer of the Division of Insular Affairs; Colonel Edwards, the head of the division; and Judge Smith, a member of the Supreme Court of the Philippines, worked assiduously for weeks during the early part of the session of Congress. Their work in turn was carefully reviewed, amended and completed by Governor Taft when he brought to the aid of the officials in Washington his thorough knowledge of actual conditions

in the Philippines, his vigorous personality, and his almost infallible judgment of what it was possible and desirable to accomplish.

The coinage plan prepared by the Commission and the writer and approved by the War Department was embodied in bills introduced on January 7, in the Senate by Mr. Lodge, of Massachusetts, Chairman of the Committee on the Philippines, and in the House by Mr. Cooper, of Wisconsin, Chairman of the Committee on Insular Affairs. Hearings were given by both committees to those interested in the subject, including the representatives of the English banks at Manila, who were naturally opposed to departure from the silver standard. The House Committee adopted the plan recommended by the War Department and Governor Taft. The Senate Committee struck these recommendations from their bill and substituted a plan for a silver dollar which should contain 416 grains of standard silver, nine-tenths fine. The following section of the Senate bill provided for free coinage of this proposed dollar on private account:

"SEC. 82. That any owner of silver bullion may deposit the same at the mint in the Philippine Islands, to be coined as hereinbefore provided. Silver bullion brought to the mint of the Philippine Islands for coinage shall be received and coined by the proper officers for the benefit of the depositor: *Provided,* that it shall be lawful to refuse at the mint any deposit of less than one hundred dollars, and also any bullion so base as to be unsuitable for the operations of the mint: *And provided also,* That when gold is combined with said bullion in such small proportion that it cannot be separated advantageously no allowance shall be made for such gold to the depositor."

Each House sustained the action of its Committee. The Senate bill passed the Senate on June 3, 1902. It was referred to the House Committee, but that committee reported its own measure as a complete substitute and this bill passed the House on June 26. A conference between the two houses was then arranged, but it was found impossible to reach an agreement in regard to the coinage standard. When it became plain that agreement could not be reached, it was finally decided to drop the proposals of both houses on this subject. The bill agreed upon in conference was accepted by both houses on June 30 and approved by the President on July 1.

The members of the House Committee appeared to be thoroughly satisfied, after the explanations made by Secretary Root, Governor Taft and others, that the plan for a gold standard would correct the extreme fluctuations of exchange and operate without

risk or difficulty in maintaining the proposed silver coins at par with the gold money of the United States. The members of the Senate Committee opposed the plan for the gold standard upon several grounds. The most important appeared to be that there would be difficulty in maintaining the coins at the value given them by law, by reason of severe pressure for gold, which would subject the government of the Philippine Islands to heavy expense to obtain gold for the redemption of silver. Under this head it was pointed out by those favorable to the plan, that the limitation of the quantity of the coins and their receipt for public dues would operate as a limited redemption in itself and would maintain them at the proposed ratio with as much ease as the silver dollars of the United States are maintained at par with gold. The difficulty which arose in the United States in 1884 and 1893, it was pointed out, was caused by the fact that a fixed amount of silver was pumped into the circulation monthly, without regard to the needs of trade. This would not occur in the Philippines, if ordinary prudence were used by the Government under the absolute discretion with which it was vested to coin only so much silver as was needed.

The burden of obtaining gold would rest rather upon the banks than upon the Treasury. Whenever there was a scarcity of currency and silver was accumulated in the currency reserve, it would lie with the banks to draw out the silver by importing gold and presenting it for silver coin at the ratio fixed by law. Members of the Senate Committee, who distrusted the success of this system, appeared a little surprised when the experience of British India was brought to their attention. The Indian Government has been pursuing substantially the same policy as that recommended for the Philippines. This policy, however, was inaugurated under infinitely greater difficulties in India than would be the case in the Philippines, because in India there was an immense mass of silver coin to be maintained at the official parity and old silver coins began to creep out of hoards when their value as coin rose above their value as bullion. The Indian Government, after seeking to maintain a fixed par of exchange for six years, without offering to redeem silver in gold, undertook in 1899 to make the English gold sovereign a legal tender and to issue silver rupees at a fixed rate for gold. The result, as set forth in the Indian Financial Statement for 1900-01, was as follows:

"We have been nearly swamped (temporarily) by gold. The amount in our currency reserve on April 1, 1899, was £2,030,000. It stood on March 7, 1900, at £7,069,800; the amount accumulated in London under Act II of 1898 stood at £1,500,000, making the aggregate £8,569,800. The difficulty has been that of meeting the demand for rupees in exchange for notes or gold tendered to us."

The fact that the government of British India, in spite of the magnitude and difficulties of the problem which it confronted, found more than $40,000,000 in gold on its hands within a year after offering to issue silver for gold, seems to afford pretty conclusive demonstration that at least equal success would be attained in the Philippines in dealing with a silver coinage whose quantity would be strictly regulated by the government from the beginning in conformity with commercial needs, and which would circulate upon a much smaller scale than in British India.

The other objection made by members of the Senate Committee was the fundamental one that the silver standard was in itself, in view of trade conditions, preferable to the gold standard in the Philippines. So far as this view rested upon the belief that the Philippines had to deal chiefly or largely with silver-using countries, a statement was presented to the Committee showing the relative proportion of the export and import trade of the Philippine Islands with gold and silver standard countries, for the eight months ended August 31, 1901. This statement was as follows:[1]

Commerce of the Philippine Islands

For the Eight Months Ended August 31, 1901.

(Compiled from the monthly summary of the commerce of the Philippine Islands, for August, 1901, prepared in Division of Insular Affairs War Department.)

COMMERCE WITH GOLD STANDARD COUNTRIES.

Europe.	Imports into Philippines.	Exports from Philippines.
United Kingdom	$3,989,527	$8,485,907
Germany	1,361,699	54,911
France	1,199,260	917,573
Spain	1,203,330	825,640
Belgium	152,868	4,473
Denmark	2,449	......

[1] There may be some question of the propriety of including in the list of gold standard countries the French East Indies, as their monetary system is partly native and partly French, but even the transfer of this item to the silver side leaves a great preponderance of the trade of the Philippines on the side of gold standard countries.

	Imports into Philippines.	Exports from Philippines.
Netherlands	$107,397	$553
Russia	184,321	......
Switzerland	425,778	155
	$8,626,629	$10,289,212
Other Gold Countries.		
Japan	$707,654	$1,338,960
French East Indies	1,624,971	1,247
United States	2,470,050	1,960,687
Canada	32,592	7,329
Australasia	422,790	489,730
Total, other than Europe	$5,258,057	$3,797,953
Total gold countries	$13,884,686	$14,087,165
COMMERCE WITH SILVER STANDARD COUNTRIES.		
China	$2,701,906	$80,770
Hong Kong	632,700	2,127,814
British East Indies	1,689,265	514,370
Siam	548,285	260
Total silver countries	$5,572,156	$2,723,214
Countries not enumerated	161,754	125,026
Total merchandise	$19,618,596	$16,935,405

Notwithstanding these arguments, the Senate Committee adhered to the view, as expressed by its chairman on the floor of the Senate, that it would be imprudent to attempt at present to establish the gold standard in the Philippines. The Senate, as already stated, refused in conference to accept the plan of the House, and the two houses failed to reach any agreement regarding the standard. The need for small money was so pressing, however, that the two houses agreed upon some provisions for subsidiary and minor coins. The names of these coins were taken from the House bill, in order to meet a criticism which was strongly expressed in the United States, that the names proposed by the Senate bill, being the same as those of the American coins of twice the exchange value, would result in the fraudulent circulation of the new coins in the United States and introduce confusion in retail trade. The provisions made on this subject were for a mint at Manila and that "the laws of the United States relative to mints and coinage, so far as applicable, are

hereby extended to the coinage of said islands." The other essential sections regarding coinage are these:

"SEC. 77. That the government of the Philippine Islands is authorized to coin, for use in said islands, a coin of the denomination of fifty centavos and of the weight of one hundred and ninety-two and nine-tenths grains, a coin of the denomination of twenty centavos and of the weight of seventy-seven and sixteen one-hundredths grains, and a coin of the denomination of ten centavos and of the weight of thirty-eight and fifty-eight one-hundredths grains, and the standard of said silver coins shall be such that of one thousand parts by weight nine hundred shall be of pure metal and one hundred of alloy, and the alloy shall be of copper.

"SEC. 78. That the subsidiary silver coins authorized by the preceding section shall be coined under the authority of the government of the Philippine Islands in such amounts as it may determine, with the approval of the Secretary of War of the United States, from silver bullion purchased by said government, with the approval of the Secretary of War of the United States: *Provided,* That said government may in addition and in its discretion recoin the Spanish-Filipino dollars and subsidiary silver coins issued under the authority of the Spanish Government for use in said islands into the subsidiary coins provided for in the preceding section at such rate and under such regulations as it may prescribe, and the subsidiary silver coins authorized by this section shall be legal tender in said islands to the amount of ten dollars.

"SEC. 79. That the government of the Philippine Islands is also authorized to issue minor coins of the denominations of one-half centavo, one centavo, and five centavos, and such minor coins shall be legal tender in said islands for amounts not exceeding one dollar. The alloy of the five-centavo piece shall be of copper and nickel, to be composed of three-fourths copper and one-fourth nickel. The alloy of the one-centavo and one-half-centavo pieces shall be 95 per centum of copper and 5 per centum of tin and zinc, in such proportions as shall be determined by said government. The weight of the five-centavo piece shall be seventy-seven and sixteen-hundredths grains troy, and of the one-centavo piece eighty grains troy, and of the one-half-centavo piece forty grains troy.

"SEC. 80. That for the purchase of metal for the subsidiary and minor coinage, authorized by the preceding sections, an appropriation may be made by the government of the Philippine Islands from its current funds, which shall be reimbursed from the coinage under said sections; and the gain or seigniorage arising therefrom shall be paid into the treasury of said islands.

"SEC. 81. That the subsidiary and minor coinage hereinbefore authorized may be coined at the mint of the government of the Philippine Islands at Manila, or arrangements may be made by the said government with the Secretary of the Treasury of the United States for their coinage at any of the mints of the United States, at a charge covering the reasonable cost of the work.

"SEC. 82. That the subsidiary and minor coinage hereinbefore authorized shall bear devices and inscriptions to be prescribed by the government of the Philippine Islands and such devices and inscriptions shall express the sovereignty of the United States, that it is a coin of the Philippine Islands, the denomination of the coin, and the year of the coinage."

Even if measures are at once taken to comply with this law, it will probably be near the beginning of the coming year before any of the new pieces will gladden the eyes of the natives of the Philippines. It has been recommended to the Philippine Government that they coin as many of the pieces of fifty centavos as can be gotten into circulation in the islands. These are the largest pieces authorized by Congress, corresponding in size to the American half dollar but having less than half its gold value. If these coins prove generally acceptable in retail trade, they may tend to expel the Mexican silver dollars to a considerable extent from use and thereby establish a distinctive local currency.

What shall be done in future for solving the Philippine currency problem depends largely upon the operation of the new coinage law. If the new coins authorized by Congress come into general use and tend to expel the Mexican pieces, it will be in the power of Congress, if the system appears to be acceptable, to throw the mints open to the free coinage of a standard Philippine peso. If, on the other hand, there seems to be a strong desire for putting an end to the fluctuations of exchange by the introduction of American currency or a local gold standard, legislation to that effect can be enacted. In view, however, of the amount of time spent upon the Philippines at the last session of Congress, it is doubtful if there will be a disposition to do anything more until the results of the new law have been tested by experience. The Philippine Commission now have wide law-making power by the grant of Congress and they may feel justified, after the new coinage system has been tested, in themselves legislating in conformity with local needs. The power lies with Congress under the Philippine Government Act to disapprove their legislation if it is considered unwise.

The experience of the Filipinos with the Mexican pesos throws a side light upon the difficulties of international money in the present state of relations between nations and between gold and silver. Conformity to an international unit of exchange, agreed upon by all civilized nations, has been the dream of many students and philoso-

phers. It is unquestionably a dream full of attraction and perhaps capable of realization when all nations shall adhere with inflexible honesty to a metallic standard of full weight and value, and shall never be compelled to suspend specie payments by the exigencies of party politics at home or war abroad. Under existing conditions, however, with silver almost inevitably employed for token coins and with these coins fluctuating in their relations to gold, the possession by any nation of a coinage which is not under its own control involves grave uncertainties. This has been demonstrated by the history of the Latin Union, where the suspension of specie payments by Italy flooded France and Switzerland with Italian silver coins. These coins, driven from Italy by her depreciated paper currency, under the operation of Gresham's law, were receivable in France and Switzerland at par with gold and it became necessary to formulate a special convention to compel Italy to take back her silver at its face value. Some of the difficulties encountered in the Philippines by employing the money of another nation have just been recounted. They are but a hint of the difficulties which would ensue if Mexico should herself discredit her silver coins by the adoption of the gold standard. It is certain that Mexico, in that event, could not and would not attempt to raise to any fixed gold parity the great mass of her coins which have found circulation in the East. She would face the same difficulties which the United States would have faced in the Philippines if the Senate provision for free coinage had become law and it had afterwards been proposed to raise the coins issued to parity with gold.

The Philippines, if they should continue to use Mexican pesos as their standard money, while Mexico herself drove them from her coinage and established the gold standard, would be in a position almost unique in monetary history. The Mexican pesos, repudiated at home, would be like outcasts taken under the wing of a foster-mother. If all of them were in use in the Philippines the problem, even under these conditions, would be comparatively simple; but in view of the great quantities of them in circulation in China and other parts of the Orient, it would never be possible for the Government of the Philippine Islands, however kindly disposed towards their desolate and orphaned state, to adopt them as the basis of a national currency. It is clear that disorder and fluctuations will continue to afflict the monetary system of the Philippines until action

is taken either by Congress or the Philippine Government to bring the system into definite relations with the gold standard of the United States and Europe, with whose commerce the future prosperity of the Philippines is inevitably bound up.

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